

U S WEST, Inc.  
Suite 700  
1020 Nineteenth Street, NW  
Washington, DC 20036  
202 429-3122  
FAX 202 296-5157

Brenda L. Fox  
Vice President-  
Government Relations

U S WEST

EX PARTE OR LATE FILED

January 28, 1997

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**EX PARTE**

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street, NW  
Washington, DC 20554

Re: CS Docket 97-151

Dear Ms. Salas:

The attached material was sent today to Ms. Elizabeth Beaty of the Cable Services Bureau to be included in the record of the above captioned proceeding.

In accordance with 47 C.F.R. § 1.1206(a)(1) of the Commission's rules, the original of this letter and one copy are being filed with your office. Acknowledgment and date of receipt are requested. A duplicate of this letter is included for this purpose.

Sincerely,



cc: Elizabeth Beaty

Attachement

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**EX PARTE**

Elizabeth W. Beaty  
Federal Communications Commission  
Cable Services Bureau  
2033 M Street NW  
Washington, D.C. 20554

RE: CS Docket 97-151

Dear Ms. Beaty:

On December 10, 1997, U S WEST representatives, including myself, met with you and some of your staff to discuss issues raised in the Commission's Notice in CS Docket No. 97-151. Two questions that came up in our meeting were: (1) How could the Commission's proposed conduit formula be adjusted to reflect geographic cost variations in the cost of conduit; and (2) What is the difference between pole attachment rates calculated in accordance with Sec. 224(d) (i.e., "cable" rates) and with Sec. 224(e) (i.e., "telecommunications" rates).

U S WEST representatives suggested that geographic variations in conduit costs could be recognized by using the same principles that the Commission previously employed in approving LEC zone density pricing plans. You inquired as to how this would actually work in practice given that Part 32 accounting records are not maintained on a geographic basis (e.g., urban versus rural areas). At the time, U S WEST representatives opined that it might be possible to develop adjustment factors based on special studies.

Upon further investigation, U S WEST has concluded it is best to continue to use statewide data to determine maximum lawful rates rather than to attempt to adjust for urban/rural cost variations. As you noted, most of the existing conduit investment is located in urban areas and the resulting statewide averages reflect this. Also, conducting special studies using forward-looking cost data would inject another layer of complexity into calculations of the maximum lawful rate without improving accuracy. This is due to the fact that rates are likely to be calculated using net book costs (i.e., embedded costs)

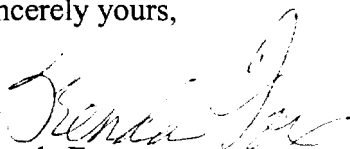
while any special study would employ existing or forward-looking costs. While the use of special studies would allow a company to reflect geographic cost variations, the linkage between these costs and embedded cost data contained in accounting records would be tenuous at best. Therefore, U S WEST withdraws its recommendation that the Commission's conduit formula be modified to reflect geographic cost differences.

As to the second issue, U S WEST has confirmed that pole attachment rates calculated using the "telecommunications" provisions (i.e., Sec. 224(e)) of the Act are likely to significantly exceed rates calculated under the "cable" provisions of the Act (i.e., Sec. 224(d)). U S WEST examined pole data for five states (i.e., Arizona, Colorado, Washington, Minnesota and Oregon) served by U S WEST Communications. U S WEST found that in four of the five states the telecommunications pole rate under Sec. 224(e) would exceed the cable pole rate by at least 225%, (i.e., Telecommunications rates would be 2.25 times higher than cable rates), when there are three attaching utilities. In the fifth state the telecommunications pole rate would be 80% higher. In the case of two attaching utilities, the impact would be an increase in rates of 250-350% (i.e., the telecommunications rate would be 2.5 to 3.5 times higher than cable rates). The magnitude of the difference between these rates is affected by net book investment in poles, carrying charge factors, the number of attaching parties and the number of attachments, among other things.

The fact that "telecommunications" pole attachment rates can be expected to significantly exceed "cable" rates is of great importance to cable companies contemplating the provision of telecommunications service over their cable facilities. Telecommunications competition will be delayed and made more expensive if the Commission adopts rules which subject cable companies to higher telecommunications pole attachment rates immediately upon providing telecommunications service to a single customer, as some parties have suggested. U S WEST continues to believe that NCTA's proposal is a reasonable approach for apportioning a cable provider's pole attachments between those subject to "cable" rates and "telecommunications" rates.

Please contact me should you have any questions concerning this matter.

Sincerely yours,



Brenda Fox

cc: Margaret Egler  
Marilyn Jones  
Magalie Roman Salas